



STATE BOARD OF EQUALIZATION

June 20, 1950

Gentlemen:

This is in answer to your letter of June 1 requesting that we furnish you with details concerning our recent advice to the Los Angeles Chamber of Commerce Television Committee "of cancellation of the 3% tax on filmed television commercials".

The statement that there has been any "cancellation" of the tax with respect to the items in question is not entirely accurate. The matter of the application of the tax with respect to this type of business has been under consideration for some time.

Following a study of the problem and several conferences with members of the Television Committee, we advised that committee that, in our opinion, the producer of pictures for television purposes are subject to the same rule insofar as the application of the tax is concerned as the producer of an ordinary motion picture, the application of the tax to which is as set forth in Sales and Use Tax Ruling 19, copy enclosed. Thus, the producer is regarded as the consumer of the film and other tangible personal property used in production and the tax will apply with respect to the sale of such property to the producer, but not to the producer's receipts from the television station or advertiser to which the production is furnished for showing on television. We further advised the committee that the running time of the particular film is not determinative of the question of whether or not the producer is regarded as a consumer or as a retailer of the completed picture. We stated that the fact that the production is for advertising purposes is, in our opinion, immaterial so long as the production is complete in itself, involving continuity, direction, story, or the explanation of an idea or process as distinguished from pictures constituting a portion only of a complete production.

EHS/ph